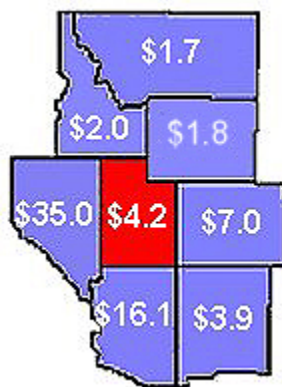


2004 Competition Analysis – Utah Tourism

The challenge to Utah's competitive positioning remains building awareness of the state and differentiating Utah's image and brand from those of other surrounding states. Utah faces significant challenges from the strength of the image and awareness of its two nearest competitors: Arizona and Colorado. The 2002 Olympic Winter Games in Salt Lake City helped Utah improve its image and build awareness, but research also shows that without reminding people of what the state has to offer, people still think of Utah as dry, brown, conservative, with little to do. Once they are reminded about the beauty of the state and all that can be done here, people's attitudes seem to improve. Now that the Olympics have come and gone, funds for tourism marketing are significantly lower. Other states have larger budgets and are spending more on advertising. Utah will continue to lose market share if not given the funding to at least match the reach and frequency of advertising by its competitors.

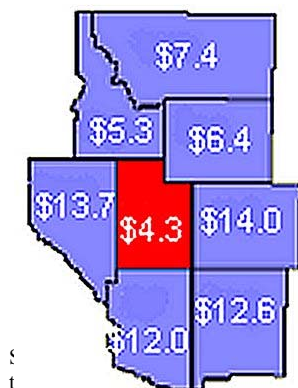
**Total Traveler Spending in Mountain Region
2002 (Billions)**



Tourism is an integral component of the regional economy. Each of the states in the Mountain region have sizeable tourism industries that significantly impact the economies of their respective states. Further, with the notable exception of Nevada, most of the region's tourism is surprisingly similar. Visiting National Parks and touring comprise the primary activities of visitors in each of the states. Outdoor recreation also attracts large numbers of visitors to the region. Denver and Phoenix are the region's primary business hubs, although most of the region's leisure travel revolves around Las Vegas. For the majority of the states, inter-regional travel represents their primary markets. In addition, most of the states actively compete for leisure travelers in the California and Texas markets.

Colorado and Arizona have more mature tourism industries than Utah. Each of those states attracts a much larger number of destination visitors than Utah. As a result, the average stay is slightly longer in both states and the average daily spending by visitors is also higher than the Utah average. As Utah's tourism product benefits from increased awareness and publicity, it is anticipated that an opportunity will exist to capture market share from neighboring destinations. In fact, this appeared to occur in the ski industry this year. While Utah enjoyed its best year ever, the number of skier days in Colorado was down approximately 4%, perhaps suggesting that Utah may have gained some market share from Colorado. However, to some extent, the ability to capture or maintain market share is tied to available resources.

**Total State Tourism
Office Budget
FY 2003-2004 (Millions)**



Historically, the state tourism offices of both Colorado and Arizona (as well as Nevada, New Mexico, and Montana) have received more funding for tourism marketing than Utah. In an effort to capitalize on the Olympics, the Utah State Legislature approved budget increases that were one-time supplemental appropriations that should not be considered as a long-term budget shift. In fact, in FY 2004-05, Utah's Division of Travel Development budget will be lowered to \$3.9 million. If Utah's competitors maintain or increase their state tourism budgets, Utah will most likely continue to lose market share.

Travel patterns have changed in recent years to reflect an increased preference for short weekend getaways rather than extended vacations. Growing economic concerns and the ease of shopping for the lowest price on the Internet have made consumers more cost conscious. The events of September 11th accelerated the trend further by focusing travel on regional drive markets to avoid unnecessary air travel and to remain closer to home. Because of Utah's distance from major metropolitan areas, the state is not generally considered as a weekend getaway destination. The focus on regional drive markets has also intensified the competition for travelers within the western region. Destination Marketing Organizations such as California and Las Vegas that traditionally marketed to a national and/or international audience have re-focused resources on the local and regional markets.

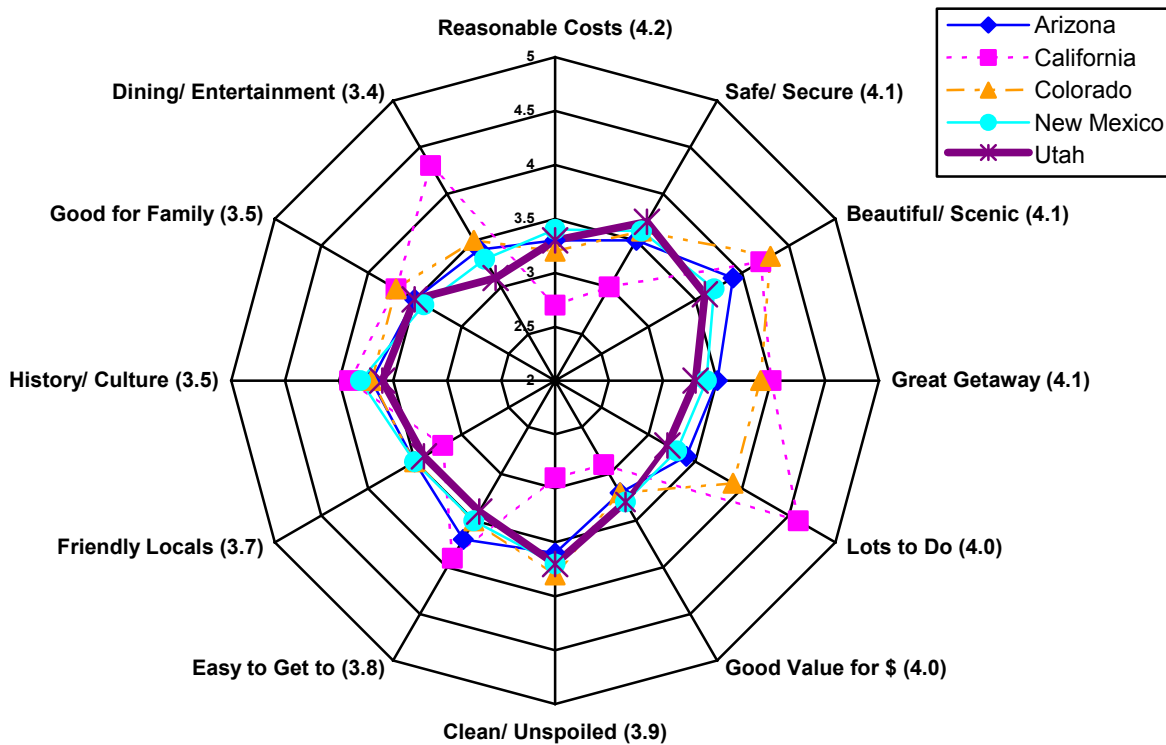
Utah's most significant challenge lies in increasing awareness of the state's tourism product and reminding people of what the state has to offer. Key

findings from a FY 2003 advertising effectiveness study conducted by NFO Plog

Research concluded:

- Among residents in 11 Western states, Utah's image is similar to competitive states on most attributes, but is deficient on:

- Beautiful / Scenic
- Great Getaway
- Lots to do
- Dining / Entertainment



- However, if Utah can entice tourists to come, they like what they find. Among residents of 11 Western states, over 80% of Utah visitors were satisfied with their visit
- Two in five recall Utah's advertising, lowest among the competitive states. By market, results are: 53% in Los Angeles, 60% in Las Vegas, and 32% in Dallas.
- Correspondingly, Utah's advertising impact is the lowest among competitive states. Further promotion of Utah and development of a more accurate image is essential to not only attracting greater tourism, but even maintaining the current level.
- Why? Because advertising works. Meanwhile, competitive states constantly seek to "raise the bar" in competing for tourists' dollars. If Utah fails to increase the reach and frequency of advertising, it will lose ground to nearby competitive destinations.
- Fewer than one in five (17%) respondents expect (extremely/very likely) to visit Utah in the future. The ratio is higher among past visitors and slightly higher among those aware of the advertising.
- Currently, using a very conservative estimate, the Utah Travel Council impacts over \$30 million of tax revenue, returning \$8.64 on each advertising dollar spent.

Along with the quantitative results of the FY 03 Utah Advertising Effectiveness Study, a qualitative study of focus groups was conducted by Riester-Robb, the advertising agency for the Utah Division of Travel Development. The objective of the 2003 Riester-Robb Qualitative Study was:

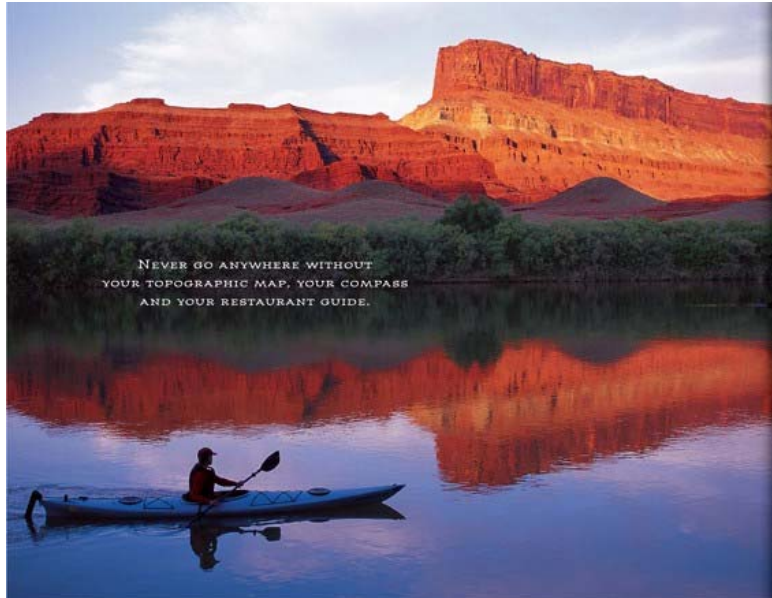
To determine the most appropriate message opportunity evolving the campaign from the post-Olympic afterglow into the next phase attracting additional visitors in the current social climate.

Consumer focus groups in Utah's three major feeder markets of Dallas, Phoenix, and Los Angeles were questioned. Key findings in the study include the following:

- Travelers seek a large assortment of activities while on vacation
 - Hiking, camping, fishing, golfing, scuba diving, snorkeling, skiing, snowboarding, trips to the beach, shopping, dining, and sightseeing
- Most claim to take vacations to relax and rejuvenate, but are really looking for activities to take their minds off of their everyday lives
- Study participants associated the following with Colorado:
 - Skiing, snow, mountains, beautiful scenery, Denver
 - High level of excitement
 - Linked Colorado to unlimited outdoor activities
 - More exciting than Utah
- Study participants associated the following with Utah:
 - Mormons, religion, Salt Lake
 - Low level of excitement
 - Considered Utah to be conservative
 - Limited nightlife available
 - Limited activities available
 - Described as desert-like, red-rocks
- Participants were also questioned about the 2002 Salt Lake Olympic Winter Games:
 - Majority of participants watched at least one event
 - Thought the games were well done
 - Olympics made people feel more positive about Utah
 - People are not necessarily motivated to visit Utah because the Games were held there
- Regarding advertising:
 - Almost all claimed to have seen tourism ads
 - Overall, a low awareness when it came to specific details of any ads
 - Very few recalled seeing ads for Utah
- Participants seemed to have a lack of awareness or knowledge:
 - Limited tourism marketing funds leave the audience to build their own perceptions
 - Through word of mouth
 - Through their own travel experience
 - Through the little knowledge they currently own
 - Through the advertising and communication efforts
- The Utah brand needs to portray a more desirable attitude to its audience:
 - It needs to reflect a brand world to which the majority of the audience would like to escape

- Communication efforts need to share new, exciting, competitive and aspirational dimensions of a vacation experience in Utah

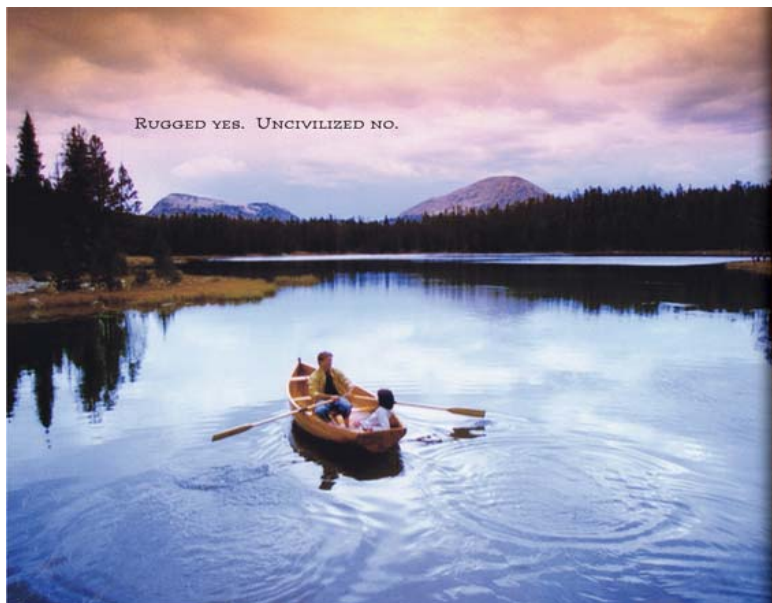
Below are the Utah ads for Spring 2004 which emphasize the fact that Utah does have water recreation in beautiful surroundings, plus wonderful restaurants close to the outdoor recreation areas:



NEVER GO ANYWHERE WITHOUT
YOUR TOPOGRAPHIC MAP, YOUR COMPASS
AND YOUR RESTAURANT GUIDE.

Utah! and such gorgeous and
inspiring scenery are laden with
excellent hotels, lodges and award-
winning restaurants. Surprised?
That's what a visit to Utah is all
about. You'll find one unexpected
pleasure after another. Like gourmet
dining and therapeutic treatments to
rejuvenate your day of hiking
or fishing. For a taste of Utah, visit
Utah.com today.

Utah!
utah.com



RUGGED YES. UNCIVILIZED NO.

Come see where the Unadorned Inge-
neration goes to unwind. You'll find
our rivers, lakes and streams come
well stocked with comfortable.

Lodges, fine dining and elevated
trout to make you feel relaxed
and welcomed. Chilled with us
this summer. To plan your trip,
visit Utah.com today.

Utah!
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